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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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LOGISTICS AND COMMUNICATIONS
DIVISION

MAR 18 1974

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The Honorable Roy L. Ash
Director, Office of Management and Budget

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Dear Mr. Ash:

We have examined into the consistency of space allocations by Federal civil agencies to employees associations and the charges made for use of this space and related services in Government facilities. Our survey suggests a need for an overall Government policy that would provide guidance in allocating space and services in Government facilities for use by employees welfare and recreation associations.

Although Federal agencies have generally encouraged the establishment of employees associations, the agencies have not been uniform in providing the associations space and services. Consequently there is wide disparity among the associations and apparent inequities concerning their use of Federal property. The associations' major sources of revenue and major uses of space and services are employee-convenience enterprises which the associations either operate directly or contract to concessionaires for a share of the gross revenue.

There are about 200 employees associations situated in 32 Federal civil agencies throughout the United States which have reported over \$34 million in annual gross revenues from dry cleaning and shoe repair services and such enterprises as cafeterias, transient housing, vending machines, service stations, parking facilities, barbershops, and various shops for sales of stereo and TV equipment, greeting cards, snacks, sundries, and clothing. The number, size, and types of enterprises varied widely among the associations.

The following table shows the wide range in gross revenue reported by these employees associations.

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<u>Number of associations</u>	<u>Annual gross revenue</u>
24	\$50,000 and over
31	\$10,000 to \$49,999
55	\$ 2,000 to \$ 9,999
32	\$ 1,000 to \$ 1,999
54	Less than \$ 1,000

In June 1973 we completed a survey of the use of space by employees associations at four locations--the Departments of State and Agriculture, Washington, D.C.; the National Aeronautics and Space Administration (NASA), Cape Kennedy, Florida; and the Atomic Energy Commission (AEC) Savannah River Plant, Aiken, South Carolina. Revenue-producing activities of the employees associations at these locations included cafeterias, a service station, transient housing, vending machines, barbershops, sundries stores, and automobile parking. Membership benefits also include group insurance, cultural presentations, emergency financial assistance, agency newspapers, automobile parking subsidies, athletic leagues, and health, travel, and recreation programs.

We noted considerable differences in agency practices relative to providing the space and services the associations used. The NASA and the State Department associations used without charge 51,000 and 189,000 square feet of Federal space, respectively, for operation of profitable enterprises which funded morale, welfare, and recreation activities. The AEC association was restricted to fund raising through vending machines and was required to reimburse the agency for the facilities and utilities it used. The Department of Agriculture association used about 1,350 square feet of space but paid for only one-half the space. (See Enc. 1.)

The use of Federal space and services without charge by revenue-producing associations could be regarded as not being in accordance with the intent of title V of the Independent Offices Appropriation Act of 1952 (31 U.S.C. 483a) and the Office of Management and Budget (OMB) Circular A-25.

Title V states it to be the sense of the Congress that any benefit of value furnished by any Federal agency to any persons, groups, or associations, except those engaged in the transaction of official business of the Government, shall be self-sustaining to the full extent possible. Further, title V authorizes the heads of Federal agencies to prescribe therefor such fees, charges, or prices, if any, as they shall determine to be fair and equitable taking into consideration cost to the Government, value to the recipient, public policy or interest served, and other pertinent facts.

OMB Circular A-25 provides guidance for developing an equitable and uniform system of user charges for certain Government services and property, but specifically excludes fringe benefits for military personnel and civilian employees which continue to be governed by separate policies. The Department of Defense has established a policy to guide the defense agencies in their treatment of employee welfare and recreation activities, but no overall policy has been established to guide the civil agencies. The Department of Defense's policy endorses the thrust of title V in that morale, welfare, and recreation activities selling goods or services are required to reimburse the Department for services furnished to them.

General Services Administration (GSA) regulations on space management state that there is no specific statutory authority to assign space to Government employees associations, but the GSA regional administrator may issue a permit for an association to use space when he deems the use to be in the Government's interest. GSA officials told us that, to the best of their knowledge, no such permit has ever been requested or issued. They also said that an agency may permit an employees association to use space controlled by the agency without advising GSA of such use.

Public Law 92-313 (known as "Public Buildings Amendments of 1972") directs GSA to charge approximate commercial rates to any agency furnished space and services in GSA-controlled buildings beginning July 1, 1974. The act also authorizes, but does not direct, each executive agency to charge non-Government activities at GSA-approved rates for space and services provided

by the agency. GSA officials have indicated that they will charge each agency for the total space assigned to it, and each agency must administratively determine whether to charge for space and services furnished to its non-Government tenants, including employees associations.

We visited two major banks and a soft drink manufacturer to obtain some understanding of the private sector's thinking on employees associations. Officials expressed the philosophy that company provision of welfare and recreation benefits through their employees associations is a good sound business practice which enhances the effectiveness of their employees. (See Enc. 2.)

The prevalence of employees associations in the Federal civil agencies indicates that the administrators accept the concept of an employees association as good, sound governmental practice. Because there is no basic policy or body of guidelines, such as in the Defense Department, the implementation of the concept must be as varied as the outlooks of the administrators and be shaped by their interpretations of the various relevant regulations and statutes.

Employees association activities on Federal property are significant in size and are important as a means of enhancing the effectiveness of Federal employees. We believe it is necessary that those activities be treated equitably concerning the assignment and use of Federal space. We also believe that the thrust of title V of the Independent Offices Appropriation Act of 1952 should be observed in regard to those associations which are capable of self-sufficiency. Without Government-wide guidance we believe that the lack of uniformity among Federal agencies in providing space and services to employees welfare and recreation associations will continue.

We discussed the results of our work with officials of your Office and of AEC, NASA, the Departments of Agriculture and State, and GSA. These officials generally agreed with our findings and conclusions.

2 Accordingly, we recommend that you, in conjunction 17
with GSA, formulate

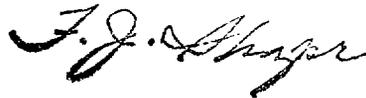
--a policy which will provide for equitable assign-
ment and use of Federal space by employees associa-
tions and

--guidelines for determining fair and equitable
charges, if any, for space and services furnished
by the Government to such associations.

Copies of this report are being sent to the House and
Senate Committees on Appropriations, Government Operations,
and Post Office and Civil Service and to the agencies
mentioned above.

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Sincerely yours,



F. J. Shafer
Director

Enclosures - 2

DESCRIPTIONS OF EMPLOYEES
ASSOCIATIONS IN AGENCIES VISITED

National Aeronautics and Space Administration
Kennedy Space Center, Florida

At the Kennedy Space Center the employees association--which serves about 15,000 employees--operates the following revenue-producing activities: (1) cafeteria, (2) vending machines, (3) service station, (4) barbershop, and (5) sundries store. The association's fiscal year 1972 gross income was about \$225,000. The net income was \$56,000, of which \$39,000 came from vending machines. The association's activities occupy about 51,000 square feet of Federal space on a rent-free basis. Annually they use utilities costing about \$50,000, of which about \$2,100 is reimbursed to the Government.

The biggest single user of space and utilities is the cafeteria operation which occupies about 37,000 square feet and uses utilities costing about \$43,000. Neither the Federal Government nor the association received any reimbursement or income from the cafeteria concessionaire because there were not enough profits to require reimbursement under the agreement.

NASA has assigned to the association at no charge some 230 acres of Federal land to be used for recreation purposes. Since 1965 the association has invested about \$500,000 from the net profits in building a recreation complex on 50 acres; this complex is not open to the general public.

Atomic Energy Commission, Savannah
River Plant, Aiken, South Carolina

E. I. DuPont de Nemours and Company operates the Savannah River Plant for AEC on a cost-reimbursable basis. AEC maintains an administrative staff at the plant; DuPont provides the management and operations work force. Separate employees associations serve AEC and DuPont employees.

DuPont's employees association--which has about 2,000 members who each pay a dollar for annual dues--occupies no Federal space, has no revenue-producing activities, and is funded by DuPont as necessary. The association, however, is

ENCLOSURE 1

regarded as a fringe benefit and a cost of operating the plant. Therefore, the Government indirectly funds the DuPont employees association through cost reimbursements to the contractor. The association's budget for 1973 was about \$19,500 and activities planned for 1973 included bingo games, sports tournaments, monthly fishing contests, an antique car show, concerts, dances, an amusement park excursion, a bowling league, and miscellaneous activities.

The AEC employees association--which has 164 members who each pay a dollar for annual dues--receives commissions from 15 vending machines. The association pays the Government \$108 a year for the use of Government facilities and services, whereas the utilities used by the association cost the Government only about \$25 per year. The association operates under a \$2,000 annual funding limitation, and receipts exceeding the \$2,000 ceiling must be turned over to DuPont to reduce its operating costs. Benefits provided to association members include a spring dance, a Christmas dance, bingo, golf tournaments, picnics, and a bowling party.

Department of State, New State
Building, Washington, D.C.

The Department of State employees association--which has 16,500 members who each pay \$3.50 for annual dues--operates the following revenue-producing activities: (1) barbershop, (2) valet shop, (3) two retail stores, (4) transient housing rentals, and (5) parking lot. The association's net income for 1972 was about \$224,000. The association's revenue-producing activities occupy about 189,000 square feet of Federal space, including a basement parking garage containing 181,000 square feet. The association charges members a modest parking fee but does not pay the Department of State for the space. The association pays GSA \$4,000 a year for 1,440 square feet of space and related services for the barber and valet shops. In addition to the space for revenue-producing activities, the association also occupies office space and a physical fitness room. Benefits provided by the association to its members include parking subsidies, physical fitness program, organized sports activities, and a cultural events program.

Department of Agriculture, South
Building, Washington, D.C.

The Department of Agriculture employees association includes about 82,000 employees on a nondues basis. In 1972 the association operated the following revenue-producing activities: (1) three cafeterias, (2) candy and tobacco sales, (3) merchandise and film sales, (4) barbershop, and (5) parking lot. The association reported gross revenue of \$1,175,000 and a net loss of \$83,000 for the year ended December 31, 1972. (All figures rounded.)

The parking lot was leased for \$115,000 and rented to employees at a profit of \$7,000. The barbershop occupied 680 square feet of Federal space; the association paid GSA \$936 for this space and utilities. After additional expenses of depreciation and telephone, the association's net income on the barbershop was \$800. The merchandise, film, and sundries sales used 660 square feet of Federal space for which there was no charge but lost \$21,000. Government Services, Incorporated, and other concerns took over the cafeterias and the candy and tobacco sales from the association in mid-1972. For the 7 months under the association, the cafeterias had a loss of \$68,000, and the candy and tobacco sales had a profit of \$13,000. (All figures rounded.)

Benefits sponsored by the association include a free employee newspaper, emergency loans, insurance plans, garden club, Spanish club, organized sports activities, and discounts on parking rates, merchandise, film, and prescriptions. A travel club which occupies 120 square feet of space without charge was formerly a part of the employees association. In 1972 it broke away from the association. The travel club was given free space because it was considered to be in the interest of the Department of Agriculture.

SELECTED EMPLOYEES ASSOCIATIONS IN
THE PRIVATE SECTOR

We interviewed officials of three commercial firms in Atlanta, Georgia, to determine the welfare and recreation benefits they gave their employees and to broaden our background for considering the role of Government employees associations.

Two of the firms are major banks with a combined total of 7,000 employees. One bank fully funds its employees association's annual budget--\$16,000 for 1973. The association provides organized sports leagues and pays for an annual employees outing to a major family amusement park. Apart from the funds provided to the association, the bank also

- budgets by department about \$9 per employee for departmental recreation activities,
- gives employees a 30-percent discount on meals in its cafeteria, and
- gives employees a 20-percent discount on parking in its parking garage.

The second bank funds 50 percent of its employees association's annual budget--about \$27,000--which is distributed for departmental parties. In addition, the bank spends more than \$200,000 annually to operate a lake resort and recreation complex which association members and their families may use for a nominal fee. This resort is also the site for an annual outing for employees paid for by the bank. Apart from these activities, the bank gives employees a 20-percent discount on meals in its cafeteria and a 35-percent discount on parking.

The third commercial firm is an internationally known soft drink manufacturer with over 30,000 employees, of which 1,700 are in its Atlanta offices. The Atlanta employees have an employees association which the company fully funds. The annual funding requirement is about \$30,000, of which about \$15,000 is spent for an employee outing to a major family amusement park near Atlanta. The remainder of the budget is used to fund organized sports leagues and other miscellaneous activities. Apart from association activities

the company provides free parking for all employees and subsidizes half the cost of meals for employees.

The management philosophy as expressed by officials of all three firms is that providing welfare and recreation benefits to employees is a good, sound business practice because such benefits promote high morale and esprit de corps which enhance the effectiveness of employees.